

## Message Text

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47

ACTION EUR-25

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 AID-20 COME-00 EB-11 FRB-02 TRSE-00 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 DRC-01 /166 W

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R 241640Z JAN 74

FM AMEMBASSY COPENHAGEN

TO SECSTATE WASHDC 8377

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS UNN

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E.O. 11652 N/A

TAGS: PINT, ECON, DA

SUBJ: COMPROMISE ON GOVT'S ECONOMIC PROGRAM

FORESEEN

REF: COPENHAGEN 0145

SUMMARY: MAJOR PARTIES IN PARLIAMENT ARE ATTEMPTING TONEGOTIATE  
A GENERAL ACROSS-THE-BOARD COMPROMISE ON ECONOMIC POLICY.

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OUTLINES OF THE PACKAGE ARE NOT YET DISCERNIBLE, BUT OMENS OF AN

EARLY SPRING ELECTION ARE FADING AS HARTLING GOVT'S WILLINGNESS TO COMPROMISE BECOMES INCREASINGLY EVIDENT. END SUMMARY.

1. BOTH MODERATE LIBERAL GOVT AND MAJOR OPPOSITION PARTIES ARE SHOWING UNUSUAL EVIDENCE OF TRACTABILITY IN NEGOTIATIONS ON GOVT'S ECONOMIC PROGRAM. GOVT'S PROMISE SERIOUSLY TO CONSIDER PROPOSALS FROM OTHER PARTIES IS NOW ACCEPTED AS GENUINE AND PARLIAMENT'S FINANCE COMMITTEE IS REPORTEDLY BUILDING A GENERAL COMPROMISE PACKAGE OUT OF SEVERAL ALTERNATIVE PROPOSALS.

2. FINDING A WAY TO CONTAIN INFLATIONARY EFFECT OF THE THREE WAGE INCREMENTS DUE MARCH 1 UNDER AUTOMATIC COST-OF-LIVING ESCALATOR PROVISION IN COLLECTIVE AGREEMENTS REMAINS MAJOR PROBLEM. AS CUMULATIVE EFFECT OF THESE AGREEMENTS, WAGES IN PRIVATE SECTOR WOULD INCREASE DKR 1.20 (DOLLARS 0.18) PER HOUR, OR APPROXIMATELY SIX PER CENT WHILE SALARIES OF CIVIL SERVANTS WOULD INCREASE NINE PER CENT.

3. GOVT'S PROPOSAL TO FREEZE THESE INCREMENTS WAS AT FIRST STRONGLY OPPOSED BY DANISH TRADE UNION FEDERATION (LO) AND SOCIAL DEMOCRATIC PARTY, AN OPPOSITION WHICH UNDOUBTEDLY CONTRIBUTED TO GOVT'S PRESENT RECEPTIVITY TO OTHER SUGGESTIONS. RADICAL LIBERAL LEADER HILMAR BAUNSGAARD'S PROPOSAL THAT COMPANIES PAY WORKERS ONLY THE AFTER-TAX PORTION OF THESE WAGE INCREMENTS IS NOW UNDER CONSIDERATION, AS WELL AS TWO OTHER PROPOSALS FLOATED BY SOCIAL DEMOCRATIC PARTY LEADERSHIP. FORMER ECONOMICS MINISTER PER HAEKKERUP HAS SUGGESTED A GENERAL FORCED SAVINGS PLAN, FREEZING, FOR EXAMPLE, FOUR PERCENT OF ALL WAGES AND SALARIES PAYABLE DURING COMING MONTHS, WHILE FORMER PRIME MINISTER ANKER JORGENSEN HAS SUGGESTED THAT COMPANIES PAY THREE COST-OF-LIVING WAGE INCREMENTS BUT BE GIVEN DIRECT GOVT SUBSIDIES TO COMPENSATE FOR MAJOR PORTION OF THEIR INCREASED COSTS.

4. COMMUNIST (DKP) AND SOCIALIST PEOPLES PARTY (SF) ARE MAKING MAJOR ISSUE OUT OF RETAINING THREE COST-OF-LIVING INCREMENTS, WITHOUT ANY OFFSETTING MODIFICATIONS. REPRESENTATIVES FROM DKP-AND SF-SPONSORED TRADE UNION COMMITTEE IN COPENHAGEN, ENTITLED "CHAIRMAN'S INITIATIVE" CALLED ON SF AND COMMUNIST MPS JAN 23 PROTESTING GOVT'S PROPOSAL TO FREEZE INCREMENTS. IN CONTRAST, SOCIAL DEMOCRATIC PARTY AND LO HAVE RECENTLY FALLEN SIGNIFICANTLY SILENT ON THIS ISSUE, FOLLOWING THEIR INITIAL OUTBURST OF OPPOSITION, ANOTHER INDICATION THAT A COMPROMISE MAY BE TAKING SHAPE BEHIND THE SCENES.

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5. MEANWHILE, IN PARLIAMENT MOGENS GLISTRUP'S DRAFT BILL TO ABOLISH PERSONAL INCOME TAXES AFTER 1979 WAS HEAVILY CRITICIZED BY ALL NINE OTHER PARTIES DURING FIRST READING. GLISTRUP STATED SUBSEQUENTLY THAT

HE EXPECTED HIS PROPOSAL WOULD SPARK "DEBATE OF THE YEAR" AND WAS DISAPPOINTED THAT IT HAD BEEN SO ROUTINELY HANDLED. CENTER DEMOCRATS REQUESTED GLISTRUP TO WITHDRAW HIS BILL FOR SAME REASON GLISTRUP

HIMSELF HAD EARLIER ASKED GOVT TO WITHDRAW A PROPOSAL--THAT IT HAD  
NO CHANCE OF PASSAGE AND WAS THEREFORE MERELY WASTE OF PARLIAMENT'S  
TIME. GLISTRUP REFUSED ON GROUNDS THAT HIS BILL WAS TEN YEARS AHEAD  
OF ITS TIME WHILE GOVT'S WAS TEN YEARS BEHIND.  
DUNNIGAN

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## Message Attributes

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